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# McWATTERS GOLD MINES, LIMITED

# ANNUAL REPORT

**YEAR ENDED DECEMBER 31, 1966**

# McWATTERS GOLD MINES, LIMITED

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OFFICERS	G. D. PATTISON . . . . . <i>President</i>
	S. A. PERRY . . . . . <i>Vice-President</i>
	R. D. BELL . . . . . <i>Secretary-Treasurer</i>
	W. E. ESSERY . . . . . <i>Assistant Secretary-Treasurer</i>
DIRECTORS	R. D. BELL . . . . . Toronto, Ontario
	G. D. PATTISON . . . . . Toronto, Ontario
	S. A. PERRY . . . . . Toronto, Ontario
	W. W. WEBER . . . . . Toronto, Ontario
	HARLOW H. WRIGHT . . . . . Toronto, Ontario
TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY . Toronto, Ontario
AUDITORS	RIDDELL, STEAD, GRAHAM & HUTCHISON . Toronto, Ontario
HEAD OFFICE	SUITE 509, 25 ADELAIDE STREET WEST . . Toronto, Ontario



# McWATTERS GOLD MINES, LIMITED

Suite 509, 25 Adelaide Street West

TORONTO 1, ONTARIO

## Report of the Directors

To the Shareholders:

Included herewith is the financial statement of your Company for the year ended December 31, 1966, with Auditors' Report dated February 13, 1967.

During the year 1966 an exploration program consisting of geophysical surveying and 5,231 feet of diamond drilling in 15 holes was completed on the group of 71 unpatented mining claims located in Carman Township, Porcupine Mining Division, Ontario, optioned from M & M Porcupine Gold Mines Limited. Although no economic values were obtained the drilling indicated sulphide mineralization and the Company exercised its option by causing a new company, Tavane Exploration Limited, to acquire these claims for a consideration of 1,018,000 of its shares of which shares 610,087 were issued to your Company.

The Company holds under option exercisable by January 15, 1969 a group of 22 unpatented mining claims located in the southeast section of Eldorado Township, Porcupine Mining Division, Ontario, to the west of the Company's claims in Langmuir Township. Detailed magnetic and electromagnetic surveys performed on these claims did not outline any electromagnetic anomalies which could be interpreted as being caused by metallic mineralization, but several magnetic anomalies were outlined and interpreted to be caused mainly by peridotite intrusives. This option is currently held in good standing.

No further exploration work is planned at this time on the Carman Township and Eldorado Township claims but the results that others obtain in these areas may influence future planning.

Arrangements are being made to bring to lease the Company's mining claims located in Langmuir Township, Porcupine Mining Division, Ontario, by performing sufficient additional diamond drilling to fulfil assessment work requirements, followed by the necessary boundary survey. Settlement of the dispute between the Company and Quebec Manitou Mines Limited over the ownership of these claims as outlined in the notes to the accompanying financial statement is being resolved by the transfer to Quebec Manitou of a 17½ % carried interest in the claims upon payment to the Company of \$20,000.00.

During the period from October, 1966 to February, 1967, your Company purchased for investment an aggregate of 400,000 shares of Lorado Uranium Mines Limited at a cost of \$417,129.00. The funds employed in this purchase were generated entirely from gains realized by the Company from the sales of other investments. Lorado's main asset, held through a wholly owned subsidiary company, is 1,890,000 shares of The Grand Bahama Development Company Limited representing about 16.5% of its issued shares.



The Development Company owns extensive land holdings in Grand Bahama Island as well as a 49% interest in certain other companies which provide services and utilities. The Development Company, which enjoys sound management, has shown impressive growth in line with the spectacular development of Grand Bahama Island as a resort, residential and industrial complex over the past few years.

Enclosed for your information is an Interim Report recently sent by Lorado Uranium Mines Limited to its shareholders on its Grand Bahama Island investment.

Your support at the forthcoming Annual and Special General Meeting of Shareholders is respectfully requested and if you are unable to attend, kindly complete and return as soon as possible the form of proxy accompanying the notice of meeting.

On behalf of the Board of Directors,

G. D. PATTISON,

President.

Toronto, Ontario,

June 1, 1967.

# McWATTERS GOLD MINES, LIMITED

## Auditors' Report

To the Shareholders,

McWATTERS GOLD MINES, LIMITED

We have examined the accompanying financial statements of McWatters Gold Mines, Limited for the year ended December 31, 1966, comprising the balance sheet as at that date and the statements of exploration and development expenses and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the outcome of the dispute over ownership of the mining claims in Langmuir Township, referred to in Note 3 to the financial statements, in our opinion the aforementioned statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants.

Toronto, Ontario,  
February 13, 1967.



# McWATTERS GOLD

(Incorporated under The

Balance

AS AT DEC

## Assets

### CURRENT ASSETS

Cash .....	\$	387,579
Government of Canada bonds, at cost (value at quoted market price \$43,000) .....		50,000
Interest bearing deposit with broker (Note 1) .....		1,064,458
Accounts receivable .....		1,250
Total current assets .....		1,503,287

### INVESTMENT IN OTHER MINING COMPANIES

Shares at cost (value at quoted market prices \$75,430) .....	\$	88,300
Shares at nominal value (including investment in affiliated company) ..	3	88,303

### INVESTMENT IN SUBSIDIARY COMPANY (Note 2)

Shares, at cost .....	49,743	
Advances .....	3,841	53,584

### PROPERTY AND RELATED EXPENDITURES — at cost

54 mining claims staked by the company in Langmuir Township, Ontario, including exploration costs of \$164,484 (Note 3) .....	166,253	
20 mining claims staked by the company in the Territory of Abitibi, Quebec, including exploration costs of \$27,833 .....	30,233	
Option on 22 mining claims in Eldorado Township, Ontario, including exploration costs of \$4,033 .....	6,033	202,519
		<u>\$ 1,847,693</u>

On behalf

"G. D. PATTISON," Director.

# MINES, LIMITED

Companies Act of Canada)

## Sheet

ER 31, 1966

### Liabilities

#### CURRENT LIABILITIES

Accounts payable and accrued ..... \$ 10,144

### Shareholders' Equity

#### CAPITAL STOCK

##### Authorized —

5,000,000 shares of no par value

##### Issued and fully paid —

1,025,000 shares — for property ..... \$ 110,000

3,257,506 shares — for cash ..... 1,567,170

4,282,506 ..... 1,677,170

RETAINED EARNINGS ..... 160,379 1,837,549

\$ 1,847,693

he Board:

“R. D. BELL,” Director.



# McWATTERS GOLD MINES, LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1966

### 1. INTEREST BEARING DEPOSIT WITH BROKER

Subsequent to December 31, 1966 the company withdrew \$944,155 of its interest bearing deposit with a broker and invested \$600,000 in a short-term deposit with a chartered bank and \$344,155 in 330,300 shares of Lorado Uranium Mines Limited.

### 2. INVESTMENT IN SUBSIDIARY COMPANY

In 1965 the company acquired an option on 71 mining claims in the Township of Carman, Ontario. Under the terms of the option agreement, the company caused a new company, Tavane Exploration Limited to acquire the claims and as a result thereof McWatters Gold Mines, Limited holds approximately 60% of all the issued and outstanding capital stock of Tavane Exploration Limited.

The only activity of Tavane Exploration Limited up to December 31, 1966 was to acquire the Carman Township Mining Claims as explained above. As at that date it had not yet begun to develop the claims. Because of the inactivity, audited financial statements of Tavane Exploration Limited as of December 31, 1966 have not been prepared and accordingly its accounts have not been consolidated with those of the parent company, McWatters Gold Mines, Limited.

### 3. PROPERTY AND RELATED EXPENDITURES

Ownership of the company's 54 mining claims in Langmuir Township is under dispute. Under date of May 31, 1962 the company and Quebec Manitou Mines Limited (hereinafter referred to as Manitou) agreed to share equally all staking, exploration and development costs incurred on these claims. In the event that either company did not contribute its full one-half share of such costs, the respective interests of the companies would be adjusted to the same ratio as their respective contributions with the provision that either company's interest could not be reduced to less than 10%.

As at December 31, 1963 Manitou had contributed only \$6,586 of its one-half share which amounted to \$31,386 thereby reducing its interest in the claims to approximately 10%. Under the agreement Manitou would have the right to reinstate its interest to 50% by reimbursing the company for all amounts paid on account of Manitou's share of exploration costs and expenses plus a penalty of 50% of all such amounts. Accordingly, Manitou would have been required to make a payment to the company of approximately \$37,000 to reinstate its interest of 50% at December 31, 1963.

Before commencing further exploration work in 1964, the company asked Manitou if it intended to make the required payment of \$37,000. Manitou stated that it was unable to do so and simultaneously the company offered to repay to Manitou its contributions to date if the latter would relinquish its interest in the claims. Certain officials of Manitou verbally agreed to this and accordingly the company asserts its right to full ownership of the claims, and the exploration and development costs as at December 31, 1963 were restated to give effect to this verbal agreement. Manitou denies any such verbal agreement and has taken legal action to have its interest, if any, resolved. The company is prepared to defend the action.



# McWATTERS GOLD MINES, LIMITED

## STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1966

DEFICIT AS AT DECEMBER 31, 1965 .....		\$ 8,200
Add —		
Interest earned .....	\$ 67,249	
Less		
Administrative expenses		
Administrative fees .....	\$ 9,000	
Audit fees .....	1,000	
Directors' fees .....	2,000	
Office and general .....	2,481	
Registrar and transfer agent's fees .....	580	15,061
		52,188
Profit on sale of investments .....	124,547	176,735
		168,535
Deduct —		
General exploration expenses .....	6,756	
Cost of mining claims written off .....	1,200	
Advance to affiliated company written off .....	200	8,156
RETAINED EARNINGS AS AT DECEMBER 31, 1966 .....	\$ 160,379	

# McWATTERS GOLD MINES, LIMITED

## STATEMENT OF EXPLORATION AND DEVELOPMENT EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1966

	Balance December 31, 1965	Expenditures for the Year	Transfers for the Year	Balance December 31, 1966
<b>LANGMUIR TOWNSHIP (Note 2)</b>				
Survey .....	\$ 8,975	\$ —	\$ —	\$ 8,975
Line cutting .....	2,830	—	—	2,830
Consulting .....	21,616	—	—	21,616
Drilling .....	104,922	—	—	104,922
Assays .....	7,995	—	—	7,995
Supplies, transport, wages and general	17,939	207	—	18,146
	<u>164,277</u>	<u>207</u>	<u>—</u>	<u>164,484</u>
<b>TERRITORY OF ABITIBI</b>				
Survey .....	2,822	—	—	2,822
Line cutting .....	2,498	—	—	2,498
Consulting .....	2,960	—	—	2,960
Drilling .....	14,199	—	—	14,199
Assays .....	367	—	—	367
Supplies, transport, wages and general	4,747	240	—	4,987
	<u>27,593</u>	<u>240</u>	<u>—</u>	<u>27,833</u>
<b>CARMAN TOWNSHIP (Note 2)</b>				
Survey .....	4,350	4,205	8,555	—
Line cutting .....	4,316	301	4,617	—
Consulting .....	—	5,094	5,094	—
Drilling .....	—	28,948	28,948	—
Assays .....	—	316	316	—
Supplies, transport, wages and general	—	2,213	2,213	—
	<u>8,666</u>	<u>41,077</u>	<u>49,743(a)</u>	<u>—</u>
<b>GENERAL EXPLORATION</b>				
Research fees .....	—	6,000	6,000	—
Consulting .....	—	275	275	—
Staking .....	—	255	255	—
Sundry .....	—	226	226	—
	<u>—</u>	<u>6,756</u>	<u>6,756(b)</u>	<u>—</u>
<b>TOTAL EXPLORATION AND DEVELOPMENT EXPENSES .</b>	<b>\$ 200,536</b>	<b>\$ 48,280</b>	<b>\$ 56,499</b>	<b>\$ 192,317</b>

(a) Transferred to investment in subsidiary company.

(b) Written off to retained earnings.









# McWATTERS GOLD MINES, LIMITED

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## ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

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NOTICE IS HEREBY GIVEN that the annual and a special general meeting of the shareholders of McWATTERS GOLD MINES, LIMITED (the "Company") will be held in the Toronto Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, on Monday, June 26, 1967 at the hour of 11:00 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive the financial statements of the Company for the year ended December 31, 1966, together with the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors;
4. To consider and, if approved, to confirm the acquisition by the Company during the period October 24, 1966 to February 6, 1967 of 400,000 shares with a par value of \$1 each of Lorado Uranium Mines Limited at an aggregate cost of \$417,129; and
5. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED the 2nd day of June, 1967.

By Order of the Board,

ROBERT D. BELL, C.A.

*Secretary-Treasurer.*

### NOTE:

Forms of proxy in compliance with The Securities Act, 1966, are enclosed. If you are unable to be present personally at the meeting, you are requested to complete and sign one of the accompanying forms of proxy and return the same in the envelope provided for that purpose.



# INFORMATION CIRCULAR

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## Management Solicitation

This Information Circular is furnished in connection with the solicitation of proxies by the management of MCWATTERS GOLD MINES, LIMITED (the "Company") for use at the annual and a special general meeting of the shareholders of the Company to be held on Monday, June 26, 1967 at 11:00 o'clock in the forenoon (Toronto time) in the Toronto Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, for the purposes set out in the foregoing notice of meeting. The cost of solicitation will be borne by the Company.

The forms of proxy forwarded to shareholders with the notice of the meeting confer discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. The forms of proxy also confer discretionary authority upon the proxy nominees as to the confirmation of the acquisition by the Company of 400,000 shares of Lorado Uranium Mines Limited at an aggregate cost of \$417,129 in respect of proxies in which the shareholders have not specified that the nominees are required to vote for or against, as the case may be, the resolution to confirm such acquisition. **If a choice is not so specified, the shares represented by the proxies will be voted in favour of the resolution to confirm the acquisition by the Company of the said 400,000 shares of Lorado Uranium Mines Limited.** The shares represented by the proxies will, however, be voted and if a choice is specified in the above-mentioned manner in the form of proxy with respect to the said resolution to confirm the acquisition of the said shares of Lorado Uranium Mines Limited, the shares will be voted in accordance with the specification so made unless the aggregate number of shares represented at the meeting by proxies required to be voted for or against such matter carries, to the knowledge of the Chairman of the meeting, less than 5% of the voting rights attached to the shares entitled to vote and represented at the meeting, in which event the Chairman has the right not to conduct a vote by way of ballot on such matter unless a poll is demanded at the meeting.

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use.

## Voting Shares and Principal Holders Thereof

The authorized and issued capital of the Company consists of 5,000,000 shares without par value, of which 4,282,506 shares are issued and outstanding as fully paid and non-assessable. Holders of outstanding shares of record at the time of the annual and special general meeting will be entitled to one vote per share at such meeting.

To the knowledge of the directors and senior officers of the Company, Dobienco Limited beneficially owns 1,105,300 shares of the Company, being 25.8% of the outstanding shares of the Company.



### Election of Directors

Name and office held	Present principal occupation and principal occupations within 5 preceding years	Year first became a director	Shares of the Company beneficially owned, directly or indirectly, as of May 31, 1967
G. D. Pattison President and director	Vice-President, Perry-Pattison Limited, (corporate secretaries and mining executives)	1958	91
S. A. Perry Vice-President and director	President, Perry-Pattison Limited, (corporate secretaries and mining executives)	1956	—
R. D. Bell Secretary-Treasurer and director	Secretary-Treasurer, Perry-Pattison Limited, (corporate secretaries and mining executives)	1958	—
Roy Barker Director	Prospector	—	210,500
W. W. Weber Director	Consulting geologist	1958	—

Each of the above persons are proposed to be elected as a director of the Company to serve until the next annual meeting of shareholders or until his successor is elected or appointed. **It is intended that the shares represented by proxies solicited by Management will be voted in favour of the election of such persons as directors of the Company.**

### Remuneration of Management and Others

During the financial year ended December 31, 1966 the aggregate direct remuneration paid or payable by the Company to the directors and senior officers of the Company was \$2,000. The Company has no subsidiaries.

No director or senior officer of the Company or any proposed nominee for election as director of the Company or any associate of any such director, officer or proposed nominee was indebted to the Company during the financial year of the Company ended December 31, 1966.

### Appointment of Auditors

Management of the Company proposes to nominate Messrs. Riddell, Stead, Graham & Hutchison, the present auditors, as auditors of the Company to hold office until the next annual meeting of shareholders. **It is intended that the shares represented by proxies solicited by Management will be voted in favour of the appointment of Messrs. Riddell, Stead, Graham & Hutchison as auditors of the Company.**



### **Acquisition of Shares of Lorado Uranium Mines Limited**

During the period October 24, 1966 to February 6, 1967, the Company acquired 400,000 shares with a par value of \$1 each of Lorado Uranium Mines Limited ("Lorado"). Such shares were purchased through Draper Dobie & Company, Limited, a member of The Toronto Stock Exchange, acting as brokers. To the knowledge of the directors and senior officers of the Company, the vendors of the said 400,000 shares were: as to 300,000 shares, Dobienco Limited, a company of which Mr. D. W. Knight beneficially owns more than 10% of the voting shares; as to 100,000 shares, in small blocks, from various unknown vendors.

The 300,000 shares of Lorado were acquired by the Company from Dobienco Limited, through Draper Dobie & Company, Limited as agent for the Company, at an aggregate cost to the Company of \$311,750. The directors and senior officers of the Company are advised that the cost of the said 300,000 shares to Dobienco Limited was \$376,601. Mr. D. W. Knight beneficially owns more than 10% of the outstanding shares of Draper Dobie & Company, Limited and Dobienco Limited.

Dobienco Limited is a substantial shareholder of Consolidated Mogul Mines Limited and is a substantial shareholder of North Coldstream Mines Limited, which latter company owns 2,000,000 shares of Consolidated Mogul Mines Limited. Consolidated Mogul Mines Limited, of which Mr. D. W. Knight is the President and a director, owns 272,500 shares of the Company.

All of the said 400,000 shares of Lorado were acquired by the Company at current market prices.

Accompanying this notice and information circular is an interim report of Lorado which was recently mailed to shareholders of that company. The interim report, which includes audited financial statements of The Grand Bahama Development Company Limited as at October 31, 1966, contains detailed information concerning Lorado's investment in The Grand Bahama Development Company Limited. The interim report is deemed to form part of this Information Circular. Messrs. Pattison, Perry and Wright, who are directors and officers of the Company, are directors and officers of Lorado. Mr. Bell, who is a director and officer of the Company, is an officer of Lorado.

The acquisition by the Company of shares of Lorado as an investment is not a transaction which, by law, requires the consent, approval or confirmation of shareholders. However, The Toronto Stock Exchange, on which the shares of the Company are listed, has required that the transaction be put to the shareholders for confirmation as a condition precedent to accepting the Company's filing statement filed under Ruling 49 of the Rules and Regulations of the Exchange. The shares of Lorado having already been acquired by the Company pursuant to proper authorization of the board of directors of the Company, no action is intended to be taken by management in the event of a negative vote by the shareholders on the proposed confirmation of the transaction.

June 2, 1967.